

**Indiana PERF -- Request for Proposal
Venture & International Fund-of-Funds**

Vendor Questions & Indiana PERF Responses

Page 8

Section 3.1, Length of Contract. Given the Fund's potential interest in a fund-of-funds vehicle that has a life that is approximately 10-12 years in length, a five year contract term, whether renewable or not, is too short. Please describe how the Fund plans to address this conflict, especially in light of the information provided on Page 88 about the length of contract.

By nature of the asset class, private equity typically has an extended investment period. The term of the contract is specified for five years; however, our fund-of-funds products normally have a life of longer than five years. Would this investment model remain within your investment criteria guidelines?

In *Section 3.1 - Length of Contract*, PERF states that the term of the management contract shall not be for a period of more than five (5) years, yet typical fund-of-funds program structures (such as standardized or custom programs) have a term of 10 years or more. Please advise.

The contract provided is a sample Indiana PERF contract. Final terms of the contract will be negotiated during the selection process and will be in accordance with the Fund's applicable laws, rules and policies.

Page 17

Section IV, Question 5 – breakdown of vintage year IRR's and related quartile ranks from Venture Economics. Please be more specific as to the information that you are requesting.

Respondents should provide information the gross and net (to LPs) IRRs of their existing programs and, if available to respondents, corresponding vintage year IRRs from Venture Economics. The time periods provided should include since inception (vintage year); 7 yrs, 5 yrs, 3 yrs, and 1 yr, as appropriate for the duration of the fund.

Page 21

The base contract provided in Exhibit C seems more oriented toward public market rather than private equity products. If the Fund has a standard private equity fund base contract, please indicate if proposers can receive a copy and respond as a part of the RFP process. For instance, in Paragraph A, there is the matter of an increase or decrease in Fund assets committed to the Investment Manager's funds. Such flexibility is not always provided by private equity funds.

Similarly, termination of the contract (paragraph 8, Paragraph D, page 25) is not consistent with private equity market standards.

The contract provided was a sample Indiana PERF contract. Final terms of the contract will be negotiated during the selection process and will be in accordance with the Fund's applicable laws, rules and policies.

Page 26

Paragraph 11, Access to Records. This clause requests document retention "pertaining to the cost incurred..." but does not specify whether it is costs incurred by the Fund or the Fund Manager. Please clarify.

It refers to costs incurred by the Fund Manager.

Page 27

Paragraph 12, Authorized Persons and Instructions. What might these 'instructions' entail?

These instructions entail authorization to make capital contributions, receive capital distributions, enter into contractual arrangements, and other activities required to manage the private equity investment program.

Page 28

Paragraph 17, Governing Laws. Will the Fund consider a neutral jurisdiction outside of the state of Indiana?

No.

The Indiana Secretary of State's application for Certificate of Authority requires a Registered Agent with an Indiana address. Will Indiana PERF act as the registered agent for purposes of registration with the state?

No. There are companies that provide that service if your firm does not have an Indiana address.

Does Indiana PERF require that the manager be a registered investment advisor with the SEC?

Yes, this is required under Section 3 of the Fund's Investment Policy Statement.

Do we need to be registered with the Indiana Secretary of State in order to submit our proposal?

Registration with the Indiana Secretary of State's Office is not required at the time of the submission proposals, but the vendor selected as the successful respondent must register upon notification of selection as successful respondent. Failure to register will disqualify the respondent.

Pages 47 and 48

Investment Guidelines. In reference to the requirements form fidelity bond, errors & omissions insurance and fiduciary liability insurance, the document indicates that alternative forms of coverage are available. Please provide examples of acceptable alternatives.

Respondents should indicate any and all insurance coverage they currently have. Indiana PERF will assess the appropriateness of the existing insurance coverage.

Page 48

Conflicts of Interest. Does the Fund object to a situation in which the Investment Manager establishes another fund that might share an investment with the (earlier) fund in which PERF is invested?

Respondent should describe fully such situations in their reply. PERF will evaluate their appropriateness, and the effects on the likelihood of success of the fund, on a case-by-case basis.

Page 71

Venture Capital Investment Policy, Investment Constraints. On the subject of limitations on the amount of capital invested in "foreign entities issued outside of the U.S.", is there any other information that you can provide to enhance our understanding of this point.

Respondents should specify if it is their intent to invest more than 35% of total net assets in securities or obligations of foreign entities issued outside the US without seeking approval beforehand. PERF will then review the proposals to ascertain which best meets the needs of the Fund.

Section 5, Exhibit A, II. 4.

Detailed recommendations for investments to be funded

In regards to the scope of work, it appears this contract is requesting a discretionary Private Equity Fund-of-Funds Manager, as opposed to an

investment advisory relationship. XYZ is able to provide detailed underlying investment information to clients; however, we normally communicate those details on an informative post-investment allocation basis rather than in the form of a pre-investment recommendation. Could you provide further details as to the requirements of providing investment recommendations?

PERF primarily seeks a discretionary fund-of-funds manager relationship, not a non-discretionary advisory relationship. PERF does not expect respondents to provide extensive investment recommendations prior to their selection as a manager but does expect managers to use this RFP as an opportunity to distinguish themselves from their competitors. PERF's assessment of this response will depend upon the overall nature of the respondent's proposal.

XYZ Partnership is currently offering a commingled venture capital fund of funds, which has a 12 year term plus three one-year extensions. We believe that the commingled approach is better than a separate account primarily because a commingled fund of funds offers full transparency with regard to underlying fund allocations.

The respondent should state this in their response. PERF expects respondents to submit proposals for separate account fund-of-funds and/or "traditional" ("standardized") fund-of-funds. PERF will then review the proposals to ascertain which best meets the needs of the Fund.

Giving the timing/size of the search, will Indiana consider investing in a separate account mandate to enable them to get access to a closed manager?

PERF expects respondents to submit proposals for separate account fund-of-funds and/or "traditional" ("standardized") fund-of-funds. PERF will then review the proposals to ascertain which best meets the needs of the Fund.

We have an interest in responding to the Indiana Public Employees' Retirement RFP for a Venture Capital Fund of Funds. However, prior to responding I wanted to share some information on our Private Equity Fund of Funds with you. Although it is not titled a Venture Capital fund, it has a nice Venture Capital component. Do you believe that the structure of our fund would exclude us from competing since it is not exclusively a Venture fund?

Is this search for a Private Equity Fund of Funds or a Venture Capital Only Fund of Funds? The questionnaire looks like it is entertaining private equity, inclusive of venture capital?

Is there a specific percentage (or range) of VC in a Fund of Funds format that is preferred?

We are a very specialized and focused middle market buyout fund in Europe, where the majority of private equity activity and deal flow occurs. Is Indiana considering working with a specialized fund of fund in Europe?

The Venture Capital fund-of-funds should have a primary focus on US Venture Capital investments and the International fund-of-funds should have a primary focus on any and all types of International Private Equity investments. Respondents should indicate in their responses the expected allocations across all subsectors and geographies of private equity PERF will then review the proposals to ascertain which best meets the needs of the Fund.

We recently closed our second middle market buyout fund, XYZ II with several high profile corporate and public fund investors. We are interested in pursuing this opportunity as a separate account and have one other separate account client. Is a separate account a viable option for the client?

We expect respondents to submit proposals for separate account fund-of-funds and/or "traditional" ("standardized") fund-of-funds. We will then review the proposals to ascertain which best meets the needs of Indiana.

Within the International target allocation to private equity is there a further breakdown by sub-category (i.e., vc, mezzanine, and middle and large buyouts) or is this decision at the discretion of the fund-of-funds manager?

Is Indiana considering hiring more than one International Fund-of-Funds manager based on a specific area of expertise within a particular sub-category?

The International Fund-of-funds should have a primary focus on all types of International Private Equity investments but there is no further breakdown by sub-category. Respondents should indicate in their response if their proposal is for a more specialized investment; these responses may then be a factor in PERF's decision-making process. PERF reserves the right to hire more than one manager for each search.

With regards to the Indiana PERF RFPs, how do the following points apply to bidders from outside of the US?

- Surety Bonds coverage: fiduciary liability, errors and omissions insurance, fidelity bond
- Registration as a Registered Investment Advisor
- Registration with the Secretary of State for Indiana
- Minority and Women's Business Enterprise Participation Plan
- Drug-free workplace certification

All respondents shall be subject to the listed conditions.

Although this is not specifically mentioned in Exhibit A, Scope of Work, we assume that the mandates (both International and Venture Capital) are for discretionary management services only. Yet in Exhibit A, Question 1.4, it is

mentioned that the fund of funds manager shall “work with the PERF Investment Committee and Board of Trustees in making venture capital (international private equity) investment decisions through either a standardized or customized fund of funds program.” Please clarify the expected degree of involvement of the Investment Committee, the Board of Trustees, and the Investment Staff in the investment process. In addition, what is the expected number of annual meetings with the PERF Staff, Investment Committee, and Board of Trustees?

We expect respondents to submit proposals for separate account fund-of-funds and/or “traditional” fund-of-funds. We will then review the proposals to ascertain which better meets the needs of Indiana PERF – hence, a traditional fund-of-funds proposal may imply annual updates while a separate account fund-of-funds proposal may imply more meetings. Respondents for either should propose how many meetings/updates, etc. they think are appropriate.

We have noted a range of PERF's intended investment size for the International Private Equity fund-of-funds program from \$25 million to \$100 million. Though we recognize that these amounts are somewhat subject to the minimum and maximum ranges of PERF's target allocation, do these investment amounts represent expected annual commitment levels, or the initial amount of commitment (to later be followed by additional capital upon annual program review)?

The amounts listed represent the initial total commitment levels, not annual commitments and are subject to change.

Please clarify re: Section 1.4 “Due Date and Format for Proposals” Could you please breakdown the number and type of proposals due to whom?

One copy and the CD ROM copy needs to be submitted to Strategic Investment Solutions. The other copy needs to be submitted to Indiana PERF. The proposals must be delivered to the addresses listed in the RFP.